

**BEHAVIORAL MEDICINE AND
ADDICTIVE DISORDERS, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2008 AND 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/21/09

BEHAVIORAL MEDICINE AND ADDICTIVE
DISORDERS, INC.

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**B&T BOND &
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholder
Behavioral Medicine and Addictive Disorders, Inc.

We have audited the accompanying balance sheets of Behavioral Medicine and Addictive Disorders, Inc. (a Louisiana Corporation) as of December 31, 2008 and 2007, and the related statements of income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Behavioral Medicine and Addictive Disorders, Inc. as of December 31, 2008, and the results of its operations, changes in shareholder's equity and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009 on our consideration of Behavioral Medicine and Addictive Disorder, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Bond & Toussignant, LLC

Monroe, Louisiana
September 30, 2009

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

ASSETS	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 11,715	\$ 15,088
Accounts Receivable	<u>34,286</u>	<u>20,168</u>
Total Current Assets	<u>46,001</u>	<u>35,256</u>
PROPERTY AND EQUIPMENT		
Buildings	152,284	152,284
Furniture and Equipment	<u>102,182</u>	<u>146,904</u>
Total	254,466	299,188
Less: Accumulated Depreciation	<u>(51,134)</u>	<u>(46,053)</u>
Net Depreciable Assets	203,332	253,135
Land	<u>23,000</u>	<u>23,000</u>
Total Property and Equipment	<u>226,332</u>	<u>276,135</u>
TOTAL ASSETS	<u>\$ 272,333</u>	<u>\$ 311,391</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,807	\$ 132
Payroll Taxes Payable	5,314	6,443
Accrued Payroll Liabilities	17,306	18,887
Accrued Interest Payable	102	223
Current Portion of Long-term Debt	<u>17,952</u>	<u>19,004</u>
Total Current Liabilities	<u>45,481</u>	<u>44,689</u>
LONG-TERM LIABILITIES		
Notes Payable	<u>138,315</u>	<u>185,704</u>
Total Long-Term Liabilities	<u>138,315</u>	<u>185,704</u>
Total Liabilities	<u>183,796</u>	<u>230,393</u>
SHAREHOLDER'S EQUITY		
Capital Stock	1,000	1,000
Paid-In Capital	4,001	4,001
Retained Earnings	<u>83,536</u>	<u>75,997</u>
Total Shareholder's Equity	<u>88,537</u>	<u>80,998</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 272,333</u>	<u>\$ 311,391</u>

The accompanying notes are an integral part of these financial statements.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUE		
Services	\$ 49,980	\$ 38,618
Federal - Veterans Affairs	124,105	120,546
- Access to Recovery	30,948	12,925
Access to Recovery - NonFederal	140,340	172,291
Total Revenue	<u>345,373</u>	<u>344,380</u>
EXPENSES		
Accounting & Legal	16,620	13,514
Advertising	176	1,914
Auto & Truck	10,300	11,519
Bank Charges	163	112
Credit Card Fees	320	140
Depreciation	14,025	16,898
Donation	250	-
Dues & Subscription	593	1,052
Education & Seminars	2,923	1,510
Insurance	3,155	4,520
Interest	10,127	12,204
License & Permits	745	828
Maintenance & Repairs	1,838	2,921
Meals & Entertainment	4,863	7,316
Medical Expense	3,972	2,933
Miscellaneous	2,343	4,833
Office Expense	5,244	10,877
Outside Services	13,683	9,546
Payroll Taxes	16,576	16,123
Postage	384	-
Salaries & Wages	216,051	192,719
Supplies	6,874	4,519
Property Taxes	3,586	3,753
Telephone	5,668	3,966
Travel	2,747	5,659
Utilities	4,591	4,766
Unemployment Taxes	1,799	1,740
Total Expenses	<u>349,616</u>	<u>335,882</u>
Income from Operations	<u>(4,243)</u>	<u>8,498</u>
Net Income	<u>\$ (4,243)</u>	<u>\$ 8,498</u>

The accompanying notes are an integral part of these financial statements.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
STATEMENTS OF SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Capital Stock	Paid-In Capital	Retained Earnings	Total
Balance at January 1, 2007	\$ 1,000	\$ 4,001	\$ 75,872	\$ 80,873
Net Income	-	-	8,498	8,498
Distributions	-	-	(8,373)	(8,373)
Balance at December 31, 2007	<u>1,000</u>	<u>4,001</u>	<u>75,997</u>	<u>80,998</u>
Contributions	-	-	11,782	11,782
Net Income	-	-	(4,243)	(4,243)
Balance at December 31, 2008	<u>\$ 1,000</u>	<u>\$ 4,001</u>	<u>\$ 83,536</u>	<u>\$ 88,537</u>

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The accompanying notes are an integral part of these financial statements.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (4,243)	\$ 8,498
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	14,025	16,898
Net gain on disposition of property and equipment	(8,944)	-
(Increase) decrease in:		
Accounts Receivable	(14,118)	6,587
Increase (decrease) in:		
Accounts Payable	4,675	(214)
Accrued Payroll Liabilities	(1,581)	7,062
Payroll Taxes Payable	(1,129)	2,439
Accrued Interest Payable	(121)	(85)
Net Cash Provided by (Used in) Operating Activities	<u>(11,436)</u>	<u>41,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(47,994)
Disposal of Property and Equipment	44,722	-
Net Cash Provided by (Used in) Investing Activities	<u>44,722</u>	<u>(47,994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from Shareholder	11,782	-
Distributions to Shareholder	-	(8,373)
Increase in Notes Payable	125,058	37,995
Principal Payments on Long-Term Debt	(173,499)	(14,762)
Net Cash Provided by (Used in) Financing Activities	<u>(36,659)</u>	<u>14,860</u>
Net Decrease in Cash and Cash Equivalents	(3,373)	8,051
Cash and Cash Equivalents at Beginning of Year	<u>15,088</u>	<u>7,037</u>
Cash and Cash Equivalents at End of Year	<u>\$ 11,715</u>	<u>\$ 15,088</u>

The accompanying notes are an integral part of these financial statements.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE A. ORGANIZATION AND NATURE OF ACTIVITIES

Behavioral Medicine and Addictive Disorder, Incorporated ("BMAD") is a for-profit S corporation organized under the laws of the State of Louisiana on June 6, 2001. The primary purpose of BMAD is to provide intensive outpatient treatment and therapy for veterans and individuals with substance abuse and alcohol addiction in the Monroe and greater Northeast Louisiana region.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

BMAD uses the modified accrual method of accounting where revenue is recognized in the period earned and expenditures are recorded in the period incurred and to which they pertain in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

BMAD considers all short-term, highly liquid debt investments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss for the S corporation passes through to, and is reportable by, the shareholder individually. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Concentration of Credit Risk

BMAD's financial instruments that are exposed to concentrations of credit risk consist primarily of cash on deposit at financial institutions. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2008 and 2007, BMAD had no uninsured deposits.

Concentrations of credit risk with respect to receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of December 31, 2008 and 2007, accounts receivable are as follows:

	<u>2008</u>	<u>2007</u>
U.S. Department of Veterans Affairs	9,760	9,980
Louisiana Department of Health & Hospitals	<u>24,526</u>	<u>10,188</u>
	34,286	20,168

Allowance for Doubtful Accounts

No allowance for uncollectible accounts has been provided since it is believed that the balance in accounts receivable is all collectible.

Advertising

Costs of advertising are expensed as incurred. Total advertising costs were \$176 and \$1,914 for the year ending December 31, 2008 and 2007, respectively.

Capitalization and Depreciation

Land, buildings, improvements and equipment are recorded at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. Estimated useful lives used for depreciation purposes are as follows:

Buildings	40 years
Furniture and Equipment	10 years

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE C. CONTRACTUAL REVENUE & ECONOMIC DEPENDENCY

BMAD has contracted with the US Department of Veteran Affairs to provide certain counseling services to veterans. Approximately 36% of BMAD's revenue was generated from this contract in 2008. For their services, BMAD received \$124,105 and \$120,546 in 2008 and 2007, respectively.

Since 2006, BMAD was awarded a contract through the Louisiana Department of Health and Hospitals under the United States Department of Health and Human Resources to administer an Access to Recovery voucher program for substance abuse treatment. Approximately 50% of BMAD's revenue was generated from this contract in 2008. For their services, BMAD received \$30,948 and \$12,925 of Federal funds in 2008 and 2007, respectively and \$140,340 and \$172,291 of State funds in 2008 and 2007, respectively.

NOTE D. LAND, BUILDING AND EQUIPMENT

Expenditures for land, building and equipment are capitalized at cost. Property and equipment acquisitions are capitalized in excess of \$1,000. When assets are disposed of, the cost related accumulated depreciation is removed from the accounts, and any gain or loss is recorded in operations.

Depreciation is computed using the straight-line method over the estimated service lives of the assets. A summary of changes in general fixed assets for the years ended December 31, 2008 and 2007 follow:

<u>Assets Class</u>	<u>2008</u>	<u>2007</u>
Land	23,000	23,000
Building & Improvements	152,284	152,284
Furniture and Equipment	<u>102,182</u>	<u>146,904</u>
	277,466	322,188
Less: Accumulated Depreciation	<u>(51,134)</u>	<u>(46,053)</u>
Net Balance	226,332	276,135

Depreciation for 2008 and 2007 totaled \$14,025 and \$16,898, respectively.

NOTE E. FAIR VALUE OF FINANCIAL INSTRUMENTS

BMAD's financial instruments, none of which are held for trading purposes, consist primarily of cash on deposit at financial institutions. BMAD estimates that the fair value of all financial instruments at December 31, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE F. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest of \$10,248 and \$12,289 was paid in 2008 and 2007, respectively.

NOTE. G. NOTES PAYABLE

Notes payable at December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Mortgage note payable to Ouachita Independent Bank with a 6.75% interest rate secured by real estate. Monthly payments are \$1,323, due in April, 2013 at which time a balloon payment of \$83,180 will be due.	\$ 120,465	\$ -
Mortgage note payable to Regions Bank with a 6.50% interest rate secured by real estate. Monthly payments are \$1,220, due in October, 2019.	-	121,001
Note Payable to Chrysler Corporation with a 2.90% interest rate secured by a vehicle. Monthly payments are \$228, due in March, 2012.	8,472	10,929
Note Payable to U.S. Bank with a 6.00% interest rate secured by a trailer. Monthly payments are \$400, due in November, 2018.	-	38,412
Note Payable to Ford Credit with a 7.99% interest rate secured by a vehicle. Monthly payments are \$735, due in May, 2011.	27,330	34,366
Total	<u>156,267</u>	<u>204,708</u>
Less Current Portion of Notes Payable	<u>(17,952)</u>	<u>(19,004)</u>
Total Long-Term Notes Payable	\$ <u>138,315</u>	\$ <u>185,704</u>

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE. G. NOTES PAYABLE (CONTINUED)

Principal payments due over the next five years and thereafter are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2009	\$ 17,952
2010	19,041
2011	20,199
2012	14,133
2013	84,942
Thereafter	\$ -

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Shareholder
Behavioral Medicine and Addictive Disorders, Inc.

We have audited the financial statements of Behavioral Medicine and Addictive Disorders, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Behavioral Medicine and Addictive Disorders, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Behavioral Medicine and Addictive Disorders, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the shareholder, management, Louisiana Department of Health and Hospitals, the United States Department of Veterans Affairs, and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specific parties. However, under Louisiana Revised Statute 24:513, this report may be distributed by the Legislative Auditor as a public document.

Bond + Jousignant, LLC

Monroe, Louisiana
September 30, 2009